

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 PA-01

PRS-01 SAM-01 SAJ-01 /090 W
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R 021209Z APR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1606

INFO AMEMBASSY MOSCOW

AMEMBASSY JIDDA

C O N F I D E N T I A L CAIRO 4363

E.O. 11652: GDS

TAGS: EGEN PFOR

SUBJ: FONMIN OFFICIAL ON ECONOMIC RELATIONS WITH SOVIET UNION

1. DURING COURSE OF APRIL 1 CALL BY DEPASSTSEC SOBER AND EMBOFF, FONMINISTRY UNDERSEC (FOR ECONOMIC AFFAIRS) AHMED HAMID SHALABI REVIEWED CURRENT STATE OF EGYPTIAN -SOVIET ECONOMIC AND AID RELATIONS. (SHALABI WAS NOT INFORMED ON CONTENTS OF HARD-LINE MARCH 31 SOVIET STATEMENT AT TIME OF CONVERSATION AND THEREFORE OFFERED NO INTERPRETATION OF ITS PORTENT.)

2. ACCORDING SHALABI, EGYPT'S INTENTION IS TO PURSUE TRADE/AID RELATIONS WITH USSR WITHIN EXISTING FRAMEWORK, NOTWITHSTANDING PRESIDENT SADAT'S ABROGATION OF FRIENDSHIP TREATY. NO RPT NO SHARP BREAK IS SOUGHT BY GOE IN VIEW OF SIGNIFICANT EXPORT TRADE THAT HAS DEVELOPED IN "NONTRADITIONAL" EGYPTIAN COMMODITIES AND CONTINUING NEED FOR ASSISTANCE TO COMPLETE ONGOING DEVELOPMENT PROJECTS. SHALABI NOTED EXPORTS ARE ONLY MEANS AT PRESENT TO REDUCE COMMERCIAL DEBT TO USSR AND SAID SOVIETS IN PAST HAD ENCOURAGED GROWTH OF THIS TRADE IN GOODS WHICH WOULD NOT NORMALLY FIND MARKETS IN
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CONVERTIBLE CURRENCY COUNTRIES. HE CITED HELWAN IRON

AND STEEL COMPLEX AS PROJECT NEEDING FURTHER SOVIET INPUTS, ESPECIALLY TECHNICAL ASSISTANCE AND ALSO SPARE PARTS. ACCORDING SHALABI, SOVIET AID NEEDED SPECIFICALLY TO BRING ABOUT LARGE INCREASE OF PRODUCTION UP TO DESIGN CAPACITY (HE INDICATED CURRENT PRODUCTION IS FAR BELOW DESIGN, DUE PRIMARILY TO RELATIVELY MANAGEABLE TECHNICAL DIFFICULTIES).

3. SHALABI RECITED SERIES OF PROBLEMS GOE HAS HAD FOR SOME TIME WITH SOVIETS ON TRADE AND AID QUESTIONS, INCLUDING THEIR ATTITUDE ON RENEGOTIATION OF DEBT TERMS AND SIZE OF EGYPTIAN EXPORT SURPLUS, THEIR INFLEXIBLE POSITION ON MODIFICATIONS TO ASSISTANCE PROGRAM AND APPARENTLY ARBITRARY LIMITATIONS ON RAW MATERIALS. EXAMPLE OF LAST PROBLEM IS SOVIET REFUSAL TO SUPPLY SUFFICIENT COKING COAL TO PERMIT FULL OPERATION OF HELWAN COMPLEX. ANOTHER RECENT INCIDENT, ACCORDING SHALABI, IS SOVIET DELAY TO DATE IN GRANTING VISAS TO EGYPTIAN TEAM DESTINED TO NEGOTIATE LUMBER PURCHASE IN USSR.

4. UNDER SEC SHALABI CAREFULLY POINTED OUT, HOWEVER, THAT THUS FAR HE DOES NOT VIEW SUCH IRRITANTS IN BILATERAL RELATIONS AS DELIBERATE PROVOCATION OR THREATENING BEHAVIOR ON PART OF SOVIETS, DESPITE HIS OWN HEIGHTENED SENSITIVITY RECENTLY TO NUANCES OF DIALOGUE. HE IMPLIED HE BELIEVES MOSCOW WILL NOT FORCE ISSUE TO POINT OF RUPTURE IN ECONOMIC RELATIONS AND THAT MANY OF PROBLEMS IN DEALING WITH SOVIETS ARE BASICALLY DUE TO THEIR RIGIDITY IN REACTING TO CHANGING SETS OF CIRCUMSTANCES SHALABI SEEMED GENERALLY OPTIMISTIC THAT ECONOMIC CONFRONTATION WITH MOSCOW WILL BE AVOIDED.

5. COMMENT: SHALABI WAS UNDERSEC IN MINTRADE UNTIL 1975. HE IS SHREWD, KNOWLEDGEABLE BUREAUCRAT WITH LONG EXPERIENCE DEALING WITH SOVIETS IN EGYPT. SHOULD BE BORNE IN MIND, HOWEVER, THAT HIS VIEWS AS EXPRESSED TO US DID NOT INCORPORATE COMMENT ON POSSIBLE CONSEQUENCES FLOWING FROM LATEST SOVIET BLAST AT SADAT AND GOE.
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